CADAN RESOURCES CORPORATION

Consolidated Financial Statements
Years Ended December 31, 2014 and 2013
(Expressed in Canadian Dollars)

<u>Index</u>	**<u>Page</u>**
Independent Auditors' Report to the Shareholders	**2**
Consolidated Financial Statements	
Consolidated Balance Sheets	3
Consolidated Statements of Loss and Comprehensive Loss	4
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7 – 40

SmytheRatcliffe
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CADAN RESOURCES CORPORATION

We have audited the accompanying consolidated financial statements of Cadan Resources Corporation, which comprise the consolidated balance sheets as at December 31, 2014 and 2013, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cadan Resources Corporation as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe Ratcliffe LLP

Chartered Professional Accountants

Vancouver, British Columbia
August 24, 2015

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CADAN RESOURCES CORPORATION
Consolidated Balance Sheets
As at December 31,
(Expressed in Canadian dollars)

	Notes		2014		2013
Assets	**11**				
Current					
Cash		$	67,645	$	93,461
Amounts and advances receivable			225,670		45,581
Prepaid expenses and other current assets			506,226		267,468
Investment in Metallum Limited	**8**		-		171,923
			799,541		578,433
Exploration and evaluation assets	**5**		1,094,881		2,070,539
Loan to Agusan Metals Corporation	**6 & 7**		-		1,470,112
Property, plant and equipment	**9**		2,121,370		2,379,686
		$	4,015,792	$	6,498,770
Liabilities					
Current					
Accounts payable and accrued liabilities	**13**	$	5,903,386	$	4,381,501
Loans payable	**16**		325,360		313,594
Convertible notes	**10 & 13**		3,946,363		3,061,310
Deferred income tax liability	**18**		222,654		-
Due to related parties	**11 & 13**		5,268,371		3,281,614
			15,666,134		11,038,019
Retirement benefit obligation	**15**		209,198		198,761
			15,875,332		11,236,780
Shareholders' equity					
Share capital	**12**		57,336,073		56,696,847
Share subcriptions received in advance	**12**		514,251		-
Reserves			2,083,283		3,894,981
Deficit			(44,367,150)		(39,501,677)
Equity attributable to owners of the company			15,566,457		21,090,151
Non-controlling interest			(27,425,997)		(25,828,161)
			(11,859,540)		(4,738,010)
		$	4,015,792	$	6,498,770

Approved on behalf of the Board:

"Ryan Sander" .... Ryan Sander, Director

"Peter Main" .... Peter Main, Director

See notes to consolidated financial statements

CADAN RESOURCES CORPORATION
Consolidated Statements of Loss and Comprehensive Loss
Years ended December 31,
(Expressed in Canadian dollars)

	Notes		2014		2013
Expenses					
Bank charges and interest		$	1,238,999	$	1,595,794
Consulting fees			663,175		1,479,134
Exploration and evaluation expenses	**5(f)**		1,316,036		6,144,147
Legal and professional			121,364		328,732
Travel and accommodation			43,633		80,878
Office and miscellaneous			1,288,139		95,245
Regulatory and shareholder costs			57,852		63,410
Rent			20,712		86,150
Loss before other items			(4,749,910)		(9,873,490)
Other items					
Loss on sale of property, plant and equipment			(3,172)		-
Termination fees	**14**		(495,000)		(90,000)
Gain on sale of Metallum Limited shares	**8**		61,911		-
Change in fair value of contingent consideration			-		(189,580)
Share of income (loss) in equity accounted investment	**8**		124,962		(1,579,636)
Unrealized gain on derivative			-		(141,143)
Foreign exchange loss			(228,943)		(173,687)
Impairment of exploration and evaluation assets	**5**		(1,029,478)		-
Impairment of Agusan loan	**7**		(1,595,074)		(8,455,975)
Impairment of investment in Metallum Limited	**8**		-		(2,024,435)
Loss on early retirement of convertible notes	**10 (d)**		-		(372,242)
Net loss before tax			(7,914,704)		(22,900,188)
Deferred income tax expense	**18**		535,303		-
Net loss			(8,450,007)		(22,900,188)
Items that will recycle to net loss:					
Recycle loss on shares of Metallum Limited	**6**		-		1,463,196
Net loss and comprehensive loss		$	(8,450,007)	$	(21,436,992)
Net loss and comprehensive loss attributed to:					
Owners of the Company		$	(6,852,171)	$	(17,833,108)
Non-Controlling Interest			(1,597,836)		(3,603,884)
		$	(8,450,007)	$	(21,436,992)
Loss Per Share – basic and diluted		$	(0.415)	$	(1.549)
Weighted Average Number of Common Shares Outstanding			19,049,249		14,779,529

See notes to consolidated financial statements

CADAN RESOURCES CORPORATION
Consolidated Statements of Changes in Shareholders’ Equity (Deficiency)
(Expressed in Canadian dollars)

	Number of shares issued	Share capital	Share-based payments reserve	Share subscriptions received	Revaluation reserve	Deficit	Equity attributable to owners of the Company	Non-Controlling Interest	Shareholders’ Equity (Deficency)
Balance at December 31, 2012	14,562,448	$55,286,616	$4,067,331	$ -	$ (1,463,196)	$ (21,688,245)	$36,202,506	$ (22,224,277)	$ 13,978,229
Share issue cost	-	(50,089)	-	-	-	-	(50,089)	-	(50,089)
Discount attributed to the convertible note conversion features	-	-	1,460,884	-	-	-	1,460,884	-	1,460,884
Reclassification of discount on convertible notes, refinanced	-	-	(1,083,231)	-	-	1,083,231	-	-	-
Reclassification of prior year interest charged to Deferred Exploration	-	-	-	-	-	(150,362)	(150,362)	-	(150,362)
Reclassification of the fair value of options and w arrants on expiry	-	-	(550,003)	-	-	550,003	-	-	-
Shares issued for debt ($0.40 per share)	2,728,247	1,091,299	-	-	-	-	1,091,299	-	1,091,299
Obligation to issue shares for debt	922,553	369,021	-	-	-	-	369,021	-	369,021
Net loss for the year	-	-	-	-	1,463,196	(19,296,304)	(17,833,108)	(3,603,884)	(21,436,992)
Balance at December 31, 2013	18,213,248	$56,696,847	$3,894,981	$ -	$ -	$ (39,501,677)	$21,090,151	$ (25,828,161)	$ (4,738,010)
Common shares issued for cash ($0.40 per share)	500,000	200,000	-	-	-	-	200,000	-	200,000
Shares issued for debt ($0.40 per share)	1,098,063	439,226	-	-	-	-	439,226	-	439,226
Adjustments due to fractional rounding on 8:1 share consolidation	(129)	-	-	-	-	-	-	-	-
Subscriptions received ($0.05 per share)	-	-	-	514,251	-	-	514,251	-	514,251
Reclassification of expired conversion feature	-	-	(717,311)	-	-	717,311	-	-	-
Reverse finders fees accrued and not paid	-	-	-	-	-	175,000	175,000	-	175,000
Reclassification of the fair value of options and w arrants on expiry	-	-	(1,094,387)	-	-	1,094,387	-	-	-
Net loss for the year	-	-	-	-	-	(6,852,171)	(6,852,171)	(1,597,836)	(8,450,007)
Balance at December 31, 2014	19,811,182	$57,336,073	$2,083,283	$ 514,251	$ -	$ (44,367,150)	$15,566,457	$ (27,425,997)	$ (11,859,540)

See notes to consolidated financial statements

CADAN RESOURCES CORPORATION
Consolidated Statements of Cash Flows
Years ended December 31,
(Expressed in Canadian dollars)

	2014	2013
Cash flows from operating activities		
Net loss for the year	$ (8,450,007)	$ (22,900,188)
Items not involving cash		
Amortization	448,694	437,408
Deferred income tax expense	535,303	-
Retirement benefit obligation	10,437	9,451
Loss on sale of property, plant and equipment	3,172	-
Gain on sale of Metallum Limited shares	(61,911)	-
Fair value adjustment of derivative	-	141,143
Change in fair value of contingent consideration	-	189,580
Share of (income) loss in equity accounted investment	(124,962)	1,579,636
Unrealized loss (gain) on foreign exchange	135,229	(162,221)
Impairment of Agusan loan	1,595,074	8,455,975
Impairment of investment in Metallum Limited	-	2,024,435
Impairment of exploration and evaluation assets	1,029,478	-
Loss on early retirement of convertible notes	-	372,242
Accretion and interest on debt	1,212,795	1,579,747
	(3,666,698)	(8,272,792)
Changes in non-cash working capital		
Amounts and advances receivable	(180,089)	584,708
Prepaid expenses	(238,758)	(46,006)
Accounts payable and accrued liabilities	1,961,111	2,072,953
Loans payable	11,766	37,157
Cash used in operating activities	(2,112,668)	(5,623,980)
Cash flows from investing activities		
Proceeds on sale of Agusan Metals Corporation	-	527,500
Proceeds on sale of investment in Metallum Limited	233,834	-
Proceeds on sale of property, plant and equipment	87,198	-
Purchase of property, plant and equipment	(280,748)	(271,786)
Cash provided by investing activities	40,284	255,714
Cash flows from financing activities		
Proceeds from issuance of common shares	200,000	-
Proceeds from credit facility due to related parties	1,332,317	3,152,680
Proceeds from issuance of convertible notes	-	2,060,700
Subscriptions received in advance	514,251	-
Share issuance costs paid	-	(50,089)
Cash provided by financing activities	2,046,568	5,163,291
Outflow of Cash	(25,816)	(204,975)
Cash, Beginning of Year	93,461	298,436
Cash, End of Year	$ 67,645	$ 93,461

See notes to consolidated financial statements

1. GOING CONCERN AND NATURE OF OPERATIONS

Cadan Resources Corporation (the “Company” or “Cadan”) was incorporated on November, 14, 1977 and continued under the laws of British Columbia on August 28, 2007. The Company is an exploration stage company, and its principal business activity is natural resource exploration, focusing on resources located in the Philippines. The head office, principal and registered address and records office of the Company is Suite 600 – 666 Burrard Street, Vancouver, British Columbia, Canada.

These consolidated financial statements are prepared on a going concern basis, which contemplates that the Company will realize its assets and discharge its liabilities in the normal course of business. Accordingly, these consolidated financial statements do not give effect to any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The following adverse conditions cast significant doubt on the Company’s ability to continue as a going concern. For the year ended December 31, 2014, the Company had a net loss of $8,450,007 (2013 - $22,900,188). At December 31, 2014, the Company had an accumulated deficit of $44,367,150 (2013 - $39,501,677). The Company has not yet demonstrated an ability to produce a sustained source of revenue to satisfy its requirements to conduct its planned exploration, progress the development of the T’Boli mine and processing plant, meet repayment obligations on its debts and meet its administrative overhead and maintain its resource interests. The Company has relied principally upon the issuance of securities and debt to finance operations. The Company’s ability to continue as a going concern is dependent on its ability to secure additional financing, and while it has done so in the past, there can be no assurance that it will be able to do so in the future.

Mining and exploration involves a high degree of risk and there can be no assurance that current mining and exploration programs will result in profitable mining operations.

The recoverability of the Company’s investment in, and expenditures on, exploration and evaluation is dependent on several factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of resource interests.

On November 28, 2014, the Company announced that the TSX Venture Exchange approved a share consolidation of the outstanding shares on the basis of eight (8) pre-consolidation common shares for one (1) post-consolidation common share (the "Consolidation") (note 12). The Consolidation was effective at the open of the market on Monday December 1, 2014. As a result of the Consolidation, Cadan’s issued and outstanding 158,490,484 common shares were reduced to 19,811,182 common shares. The Company has retroactively amended the share and per share amounts contained in these consolidated financial statements, to reflect the effects of the Consolidation.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

The Company’s consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

(b) Approval of the consolidated financial statements

The consolidated financial statements of the Company for the year ended December 31, 2014, were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on August 24, 2015.

2. BASIS OF PRESENTATION (Continued)

(c) New accounting pronouncements and interpretations not yet adopted

At the date of authorization of these consolidated financial statements, the IASB and the International Financial Reporting Interpretations Committee (“IFRIC”) have issued a number of new and revised standards and interpretations, which are not yet effective for the relevant reporting periods.

The Company has not early-adopted these standards, amendments and interpretations. The Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company. The new accounting standards and interpretations that will be adopted in future years are as follows:

IFRS 9 *Financial Instruments* (2014)

This is a finalized version of **IFRS 9,** which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement**. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of **IFRS 9** introduces a “fair value through other comprehensive income” category for certain debt instruments. Financial liabilities are classified in a similar manner to under **IAS 39**; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment**. The 2014 version of **IFRS 9** introduces an “expected credit loss” model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- **Hedge accounting**. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition**. The requirements for the derecognition of financial assets and liabilities are carried forward from **IAS 39**.

Applicable to annual periods beginning on or after January 1, 2018.

***Accounting for Acquisitions of Interests in Joint Operations* (Amendments to IFRS 11)**

Amends IFRS 11 *Joint Arrangements* to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 *Business Combinations*) to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRS, except for those principles that conflict with the guidance in IFRS 11
- disclose the information required by IFRS 3 and other IFRS for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

2. BASIS OF PRESENTATION (Continued)

(c) New accounting pronouncements and interpretations not yet adopted (Continued)

Accounting for Acquisitions of Interests in Joint Operations **(Amendments to IFRS 11)** (Continued)

Note: The amendments apply prospectively to acquisitions of interests in joint operations in which the activities of the joint operations constitute businesses, as defined in IFRS 3, for those acquisitions occurring from the beginning of the first period in which the amendments apply. Amounts recognized for acquisitions of interests in joint operations occurring in prior periods are not adjusted.

Applicable to annual periods beginning on or after July 1, 2016.

Clarification of Acceptable Methods of Depreciation and Amortization **(Amendments to IAS 16 and IAS 38)**

Amends IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* to:

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
- introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated
- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Applicable to annual periods beginning on or after July 1, 2016.

Equity Method in Separate Financial Statements **(Amendments to IAS 27)**

Amends IAS 27 *Separate Financial Statements* to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Applicable to annual periods beginning on or after July 1, 2016.

2. BASIS OF PRESENTATION (Continued)

(c) New accounting pronouncements and interpretations not yet adopted (Continued)

***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28)**

Amends IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e., a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, i.e., whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

Applicable to annual periods beginning on or after July 1, 2016.

Annual Improvements 2010-2012 Cycle

Makes amendments to the following standards:

- **IFRS 2** — Amends the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition”
- **IFRS 3** — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date
- **IFRS 8** — Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly
- **IFRS 13** — Clarify that issuing **IFRS 13** and amending **IFRS 9** and **IAS 39** did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only)
- **IAS 16** and **IAS 38** — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount
- **IAS 24** — Clarify how payments to entities providing management services are to be disclosed

Applicable to annual periods beginning on or after July 1, 2014.

2. BASIS OF PRESENTATION (Continued)

(c) New accounting pronouncements and interpretations not yet adopted (Continued)

Annual Improvements 2011-2013 Cycle

Makes amendments to the following standards:

- **IFRS 1** — Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only)
- **IFRS 3** — Clarify that **IFRS 3** excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself
- **IFRS 13** — Clarify the scope of the portfolio exception in paragraph 52
- **IAS 40** — Clarifying the interrelationship of **IFRS 3** and **IAS 40** when classifying property as investment property or owner-occupied property

Applicable to annual periods beginning on or after July 1, 2014.

Annual Improvements 2012-2014 Cycle

Makes amendments to the following standards:

- **IFRS 5** — Adds specific guidance in **IFRS 5** for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued
- **IFRS 7** — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements
- **IAS 9** — Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid
- **IAS 34** — Clarify the meaning of “elsewhere in the interim report” and require a cross-reference

Applicable to annual periods beginning on or after January 1, 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements.

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Company (the ultimate parent company), its wholly-owned subsidiaries, Exploradora La Esperanza S.A. (a Colombian company); Sabena Limited and its subsidiaries (Australian companies); Tribal Holdings Inc., Batoto Holdings Inc., and Philco Holdings Inc. (Canadian companies), and Tribal Processing Corporation ("Tribal Processing") (Philippine company); and the accounts of its partially-owned (40%) Philippine affiliates, Batoto Resources Corporation ("Batoto") and TMC Tribal Mining Corporation ("TMC"), referred to throughout the consolidated financial statements as the “Philippine companies”. The Company owns 40% of each of the Philippine companies, which have been consolidated as they meet the criteria under IFRS 10 *Consolidated Financial Statements*. The Company’s ownership percentage in the Philippine companies is a result of Philippine laws restricting foreign ownership, but the Company is acting as operator of the Philippine companies. The remaining 60% ownership of each of the Philippine companies is owned by the two respective presidents of those companies. Each president has signed an option agreement allowing the Company to acquire control in certain circumstances. All significant intercompany balances and transactions have been eliminated on consolidation.

The Company has a 20% interest in Agusan Metals Corporation ("Agusan") (notes 6 and 7) and is able to exert significant influence over Agusan as a result. Agusan is considered to be an associate as at December 31, 2014 and 2013 and for the years then ended.

Non-controlling interest in the net assets of consolidated partially-owned Philippine companies are identified separately from the Company’s equity. Non-controlling interest consists of the non-controlling interest at the date of the original business combination plus the non-controlling interest’s share of changes in equity since the date of acquisition.

(b) Use of judgments and estimates

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. In particular, significant judgments made by management in the application of IFRS during the preparation of the consolidated financial statements and estimates with a risk of material adjustment are:

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Use of judgments and estimates (Continued)

(i) Realization of assets

The investments in Metallum Limited (formerly, Mining Group Ltd.) ("Metallum") (note 8), exploration and evaluation assets (note 5), and property, plant and equipment (note 9), and the loan to Agusan comprise a significant portion of the Company's assets. Realization of the Company's investments and loan receivable are dependent upon the Company or Metallum obtaining permits for exploration or development of resource claims, the satisfaction of governmental requirements, satisfaction of possible aboriginal claims, the attainment of successful production from the properties, or from the proceeds upon disposal of the Company's interests therein. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines.

(ii) Environmental

Environmental legislation is becoming increasingly stringent and the costs of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development of mineral resource properties, the potential for production on the properties may be diminished or negated.

The Company is subject to laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation.

Future obligations to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of the site related to normal operations, are initially recognized and recorded as a liability based on estimated future cash flows discounted at a credit-adjusted risk-free rate.

The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

(iii) Valuation of receivable

The loan to Agusan has no stated terms of repayment or interest rate attached to it. Management must make judgments about the valuation and recoverability of this receivable. The loan to Agusan has been presented at net present value using a discount rate of 25%, and assuming that repayment will occur over a three-year period beginning in the fiscal year ended December 31, 2020. Events and circumstances arising during the year, or that are foreseeable at year-end, are reflected in the valuation of this receivable in the consolidated balance sheets and reflect management's best estimate of the fair value of this financial instrument. Management's basis for valuation is described in note 7.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Use of judgments and estimates (Continued)

(iv) Impairment assessment

Annually, the Company assesses whether indicators of impairment exist. If indicators of impairment are identified, the Company then assesses whether its assets' carrying values are greater than their recoverable values. The recoverable value is the higher of an asset's fair value, less costs to sell, and its value in use. The Company has reviewed its most recent economic models and forecasts in assessing whether there were indicators of impairment for its property, plant and equipment and exploration and evaluation costs incurred. Management uses several criteria in its assessment including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, accessible facilities, existing permits and life of mine plans.

(v) Convertible notes

Management must make judgments about the valuation of convertible notes, principally through the determination of an appropriate discount rate for similar debt without conversion features or attached warrants. The Company reviewed discount rates in use by companies of similar sizes and in the same industry and life cycle stage to determine an appropriate discount rate. Management also considered the Company's history of borrowings, the general economic outlook for junior exploration entities, and its overall access to credit facilities.

(vi) Provision for site reclamation liability

Management must make judgments about the existence and valuation of provisions for site reclamation liabilities. The assessment of provision for site reclamation liabilities requires management to assess the stage of exploration activities in each mineral property, compliance with local environmental regulations, and agreements in place.

(vii) Contingencies

By their nature, contingencies, including the retirement benefit obligation, will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events, including the use of actuarial assumptions.

(viii) Fair value hierarchy

Where the fair value of financial assets and financial liabilities recorded in the balance sheets cannot be derived from active markets, their fair value is estimated using valuation techniques including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but, where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Use of judgments and estimates (Continued)

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Significant areas requiring the use of management judgments and estimates include: fair value of financial instruments; rates of amortization; balances of accrued liabilities; determination of provision for reclamation liability; the determination of the variables used in the calculation of share-based payments and the value of derivative investments; the determination of the variables used in the calculation of the net present value of the loan to Agusan; and actuarial assumptions for retirement benefit obligations. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(c) Property, plant and equipment

Property, plant and equipment are recorded at cost, less accumulated amortization and accumulated impairment losses. Amortization is recorded using the straight-line method at the following annual rates:

Buildings	- 4%
Vehicles and exploration equipment	- 20 to 25%
Office furniture and equipment	- 25 to 33%
Leasehold improvements	- 20%

(i) Subsequent costs

The cost of replacing part of an item within property, plant and equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the group and the cost of the item can be measured reliably. The carrying amount of the part that has been replaced is expensed. All other costs are recognized as an expense as incurred.

(ii) Impairment

The Company’s tangible assets are reviewed for indications of impairment at each balance sheet date. If indication of impairment exists, the asset’s recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit or loss for the year.

The recoverable amount is the greater of the asset’s fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Property, plant and equipment (Continued)

(iii) Reversal of impairment

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

(d) Foreign currency translation

The Company's functional and reporting currency is the Canadian dollar. In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary assets and liabilities are translated using the period-end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

(e) Investments in associates

Investments in which the Company exerts significant influence are accounted for using the equity method whereby the original cost of the investment is adjusted for the Company's share of earnings, losses and dividends during the current period. The Company's share of earnings and losses of such investments are included in the consolidated statements of loss and comprehensive loss.

(f) Convertible notes

When the Company issues convertible debt with or without additional warrants attached, the proceeds are allocated first to the debt component, based on its discounted cash flows using a discount rate appropriate for similar debts without conversion features or attached warrants. The residual value is allocated to all equity components, and is included in share-based payments reserve. The debt component is accreted over its contractual life using the effective interest method, which includes other costs, such as finders' fees. The accretion expense is included in profit or loss as interest expense. On settlement of the debt, the equity components are transferred to deficit.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods using the graded vesting method. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. Non-vesting conditions are considered in making the assumption about the number of awards that are expected to vest. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the recorded value in share-based payments reserve is transferred to share capital. Upon expiry, forfeiture or cancellation, the recorded value is transferred to deficit.

(h) Equity units

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants.

(i) Earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on per share amounts is calculated presuming the exercise or conversion of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise or conversion would be used to repurchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

(j) Income taxes

The Company uses the balance sheet method of accounting for income taxes. Under this method of tax allocation, deferred tax assets and liabilities are determined based on differences between the consolidated financial statement carrying values and their respective income tax basis (temporary differences). Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is included in profit or loss in the period in which the change is enacted or substantively enacted. Deferred tax assets are recognized to the extent that it is probable that the benefits associated with them will be recognized in the future.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments

(i) Financial assets

Financial assets are classified into one of four categories: Fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM"), available-for-sale ("AFS"), and loans and receivables. The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

FVTPL financial assets

Financial assets classified as FVTPL are stated at fair value with any resultant change in fair value recognized in profit or loss. The net income or loss recognized incorporates any dividend or interest earned on the financial asset.

HTM financial assets

HTM financial assets are initially measured on a trade-date basis at fair value, including transaction costs, and are subsequently adjusted using the effective interest rate method.

AFS financial assets

Short-term investments and other assets not otherwise designated are classified as AFS and stated at fair value on the date of acquisition and each subsequent balance sheet date. Any change in fair value is recognized as other comprehensive income (loss); unless or until cumulative losses are determined to constitute an other-than-temporary-impairment, at which time the cumulative losses are recycled and recognized in profit or loss.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss on receivables is based on a review of all outstanding amounts at period-end. Bad debts are written off during the period in which they are identified. Interest income is recognized by applying the effective interest rate method.

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

(ii) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expire.

(l) Exploration and evaluation assets

Once a permit or license to explore an area has been secured, acquisition costs are capitalized on a property-by-property basis. Exploration expenditures related to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential are expensed as incurred. Any incidental pre-production revenue is net against exploration and evaluation expenditures until the property is in commercial production.

Management reviews the carrying value of capitalized costs at least annually. In the case of undeveloped projects, there may be only inferred resources to form a basis for the impairment review. The review is based on a status report regarding the Company's intentions for development of the undeveloped property.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to mine development assets, which is a component of property, plant and equipment.

The Company considers a project to be in commercial production following a reasonable period of testing of the production processes, and when the mine and processing plant are in the location and condition necessary to operate at their anticipated full capacity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Exploration and evaluation assets (Continued)

Subsequent recovery of the carrying value of exploration and evaluation assets depends on successful development or sale of the undeveloped project. If a project does not prove viable, all capitalized costs associated with the project, net of any impairment provisions, are written off.

(m) Provision for reclamation liability

The Company records a liability based on the best estimate of costs for site reclamation activities that the Company is legally or constructively required to remediate and the liability is recognized at the time environmental disturbance occurs. The resulting costs are capitalized to the corresponding asset. The provision for reclamation liabilities is estimated using expected cash flows, discounted at a pre-tax rate specific to the liability.

The capitalized amount is amortized on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future reclamation cash flows.

Changes in closure and reclamation estimates are accounted for as a change in the corresponding capitalized cost.

Costs of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred.

4. FINANCIAL INSTRUMENTS

The Company has classified its cash and derivative investment in Metallum as FVTPL; investment in Metallum and loan to Agusan, as AFS; amounts and advances receivable (excluding GST receivable), as loans and receivables; and accounts payable and accrued liabilities, loans payable, convertible notes and due to related parties, as other financial liabilities.

The carrying values of cash, amounts and advances receivable (excluding GST receivable), accounts payable and accrued liabilities, and secured loans approximate their fair values due to the short terms to maturity of these financial instruments. The carrying values of amounts due to related parties, excluding convertible notes due to related parties described below, approximate their fair value, as they are non-interest-bearing and due on demand.

The fair value of the investment in Metallum was determined, in accordance with Level 1 of the fair value hierarchy, using the market price per share of Metallum at the balance sheet date.

The carrying values of convertible notes were determined, in accordance with Level 2 of the fair value hierarchy, by discounting the face value of the notes over the six month to two year terms of the notes by a discount rate of 60%, and accreting the discount over the respective term to the anticipated conversion date of the notes.

(Expressed in Canadian dollars, unless otherwise stated)

4. FINANCIAL INSTRUMENTS (Continued)

During the year ended December 31, 2014, uncertainty around the collection schedule for the Agusan loan was created as a result of Metallum putting that project on care and maintenance status. As a result, the carrying value of the loan to Agusan was impaired, in accordance with Level 3 of the fair value hierarchy, to $nil. In the year ended December 31, 2013, the carrying value was determined in accordance with Level 3 of the fair value hierarchy by discounting the expected repayments of the loan from their completion in the year ending December 31, 2022, at a discount rate of 25%. These notes were reclassified from the loans and receivables financial asset classification to AFS during the year ended December 31, 2013.

(a) Credit risk

The Company is exposed to credit risk with respect to its cash. Cash has been placed on deposit with major Canadian, Philippine and Australian financial institutions. The risk arises from the non-performance of counterparties of contractual financial obligations.

The Company manages credit risk, in respect of cash, by maintaining deposits at major financial institutions with strong investment-grade ratings.

Concentration of credit risk exists with respect to the Company's cash, as the majority of the amounts are held with only a few Canadian and Philippine financial institutions. The Company's concentration of credit risk and maximum exposure thereto, is as follows:

	December 31, 2014	December 31, 2013
Canadian dollar equivalent		
Canadian dollar	$ 21,359	$ 9,263
Philippine peso	46,286	84,198
Total cash	$ 67,645	$ 93,461

The Company is also exposed to credit risk with respect to its amounts and advances receivable and loan to Agusan (notes 6 and 7). The Company maintains an equity investment in Agusan and receives periodic financial information from Metallum and Agusan with respect to that investment. The Company actively monitors the financial status of Agusan and Metallum to minimize the credit risk related to this loan. Other amounts receivable relate to input tax credits.

4. FINANCIAL INSTRUMENTS (Continued)

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The loan to Agusan is carried at net present value using a discount rate that is impacted by the market rate of interest. A change in the market rate of interest could have a material impact on the carrying value of the loan to Agusan, but as at December 31, 2013, it was unclear what the quantum of that impact would be. The Company's cash is held in bank accounts. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on their estimated fair values as of December 31, 2014 and 2013. Future cash flows from interest income on cash will not be material. The Company manages interest rate risk by investing in highly liquid investments with maturities of one year or less.

The Company's convertible notes and credit facility are at fixed rates of interest.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars.

4. FINANCIAL INSTRUMENTS (Continued)

(b) Market risk (Continued)

(ii) Foreign currency risk (Continued)

The Company is exposed to foreign currency risk with respect to cash, accounts payable and accrued liabilities, and amounts due to related parties, as a portion of these amounts are denominated in Philippine pesos, Australian dollars and US dollars as follows:

		December 31, 2014		December 31, 2013
Canadian dollar equivalent				
Philippine Pesos				
Cash	$	46,286	$	84,198
Accounts payable and accrued liabilities		(3,305,231)		(1,990,539)
AUD$				
Accounts payable and accrued liabilities		(1,233,883)		(1,028,457)
US$				
Accounts payable and accrued liabilities		(153,072)		(128,084)
Due to related parties		(5,268,371)		(3,595,208)
Net exposure				
Canadian dollar equivalent	$	(9,914,271)	$	(6,658,090)

The Company manages foreign currency risk by only holding funds in foreign currencies for short-term requirements. The Company has not entered into any foreign currency contracts and does not utilize derivatives to mitigate this risk.

A 1% fluctuation in the value of the Philippine peso, Australian dollar and US dollar at December 31, 2014, would result in a change to net income (loss) and comprehensive income (loss) by approximately $96,000 (2013 - $67,000).

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk through its investment in marketable securities of Metallum, which are valued at each reporting date at their market price (note 8). During the year ended December 31, 2014, the Company recognized a gain on disposition of $61,911 (2013 - impairment charge of $2,024,435) in respect of its investment in Metallum.

4. FINANCIAL INSTRUMENTS (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities. Accounts payable are all due within thirty days and amounts due to related parties, excluding convertible notes (notes 10 and 13) due to related parties and excluding amounts due under the credit facility (notes 11 and 13), are without specific terms of repayment; however, they are expected to be repaid within one year. The Company's convertible notes matured on June 1, 2014. As at December 31, 2014 the Company's obligation under the convertible notes of principal and accrued interest was $3,946,363 (2013 - $3,061,310) (note 10).

The Company will require significant cash funding to conduct its exploration programs, meet its administrative overhead costs, meet its repayment obligations and to maintain its resource interests and bring its T'Boli gold processing plant to full production capacity. This will require the Company to obtain additional financing.

5. EXPLORATION AND EVALUATION ASSETS

(a) Permits and licenses

Through its subsidiaries and the Philippine companies, the Company has interests in certain permits and licenses to explore and develop exploration and evaluation assets located in the Philippines, as described below.

During the year ended December 31, 2014, the Company purchased additional shares of TMC, the subsidiary holding the T'Boli project, at a cost of $53,820. At December 31, 2014, capitalized acquisition costs totaled $1,094,881 (2013 - $2,070,539), split between Batoto $nil (2013 - $1,029,478) and T'Boli $1,094,881 (2013 - $1,041,061).

(i) Panag, Suriganon, Tagpura and Camanlangan are located in the municipalities of New Bataan and Nabunturan, Compostela Valley Province, Philippines.

The Company completed the sale of 80% of the Company's interests in Agusan (notes 6 and 7) January 17, 2012, and has retained a carried interest of 20% in Agusan (notes 6 and 7).

(ii) Batoto, Barangay Camanlangan, Municipality of New Bataan, Compostela Valley Province, Philippines.

There are no royalties payable to the government of the Philippines because the properties are located in an indigenous area. The indigenous peoples will, upon commercial production, be given a royalty equivalent to 1% of the operating cost of any operation. There are no annual work commitments.

5. EXPLORATION AND EVALUATION ASSETS (Continued)

(ii) (Continued)

Under IFRS 6 *Exploration for and Evaluation of Mineral Resources*, an indicator of impairment was determined for the Batoto property, due to a lack of currently available funding or plans for future exploration activities. Management was unable to determine a value in use or fair value less costs of disposal for the Batoto property, which would satisfy the IFRS accounting requirements for measurement of recoverable amount. Therefore, the Batoto property has been impaired to $nil during the year ended December 31, 2014, such impairment determined in accordance with level 3 of the fair value hierarchy.

(iii) T'Boli, Barangay Kematu, Municipality of T'Boli, South Cotabato Province, Philippines.

The Company has received the Mines and Geosciences Bureau's ("MGB") Declaration of Mining Project Feasibility enabling the Company to process ore at the T'Boli gold-silver mine within the Mineral Processing and Sharing Agreement. However, to date the Company has used this ability only to process incidental ore stockpiles available from exploration activities, and remains in the exploration and evaluation phase.

There is a 2% mineral royalty payable to the government of the Philippines in respect of mineral production.

On May 2, 2013, the Company entered into an agreement with Mighty River International Ltd. ("Mighty River") of Singapore, whereby Mighty River is providing the Company with a US $5 million credit facility (note 11). In connection with the credit facility agreement, Cadan, Mighty River and Cadan's Philippine affiliate, TMC, entered into royalty agreements pursuant to which Mighty River is entitled to receive a 1% production royalty on the T'Boli mine located in the Philippines for each US $1 million advanced to the Company. As of December 31, 2014, the Company had principal and interest outstanding of US $4,541,307 (CDN $5,268,371) (2013 - US $3,085,384; CDN $3,281,614) on the credit facility (notes 11 and 20).

(c) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its resource exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in a material liability to the Company. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the resource properties, the potential for production on the property may be diminished or negated.

(Expressed in Canadian dollars, unless otherwise stated)

5. EXPLORATION AND EVALUATION ASSETS

(d) Realization of assets

The investment in and expenditures on exploration and evaluation assets comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the underlying properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore. The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values.

(e) Title to exploration and evaluation asset interests

Although the Company has taken steps to verify the title to exploration and evaluation asset interests for which it has a permit and/or license, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

(f) A summary of the exploration costs incurred during the year are as follows:

		Batoto		T'Boli		2014 Total		2013 Total
Cumulative exploration and evaluation expenses								
Community development	$	36,969	$	-	$	36,969	$	624,329
Exploration and mine development		(113,632)		953,819		840,187		3,874,922
Field supplies, administrative		132,094		-		132,094		3,211,572
Mill Site		-		594,245		594,245		1,440,322
Exploration and evaluation expenses	**$**	**55,431**	**$**	**1,548,064**	**$**	**1,603,495**	**$**	**9,151,145**
Recoveries from metal sales		-		(287,459)		(287,459)		(3,006,998)
Net exploration and evaluation expenses	**$**	**55,431**	**$**	**1,260,605**	**$**	**1,316,036**	**$**	**6,144,147**

6. SALE OF AGUSAN METALS CORPORATION

On January 17, 2012, the Company completed the sale of 80% of the Company's interest in Agusan and granted Metallum (the purchaser) an option to acquire an 80% interest in Batoto. On October 17, 2012, the option to acquire 80% of its interests in Batoto by Metallum expired unexercised.

The Company received $3,150,600 (cash of $2,106,410 and forgiveness of $1,044,190 (AU $1,000,000) loan payable) (AU $3,000,000), and 2,600,000 Metallum common shares (note 8) with a fair value, on January 17, 2012, of $1,774,838 (AU $1,690,000), for total consideration of $4,925,438. The Company had the right to receive an additional 2,600,000 Metallum common shares if the trading price of Metallum common shares is above AU $1 for 30 consecutive days, which expired on January 17, 2014.

(Expressed in Canadian dollars, unless otherwise stated)

6. SALE OF AGUSAN METALS CORPORATION (Continued)

The Company retains a 20% investment in Agusan (note 7). On the sale, the retained investment was revalued to its fair value of $1,231,360 (note 7), resulting in a revaluation gain of $1,106,360, reported in profit and loss during the year ended December 31, 2012. In addition, the Company's advances to Agusan to the point of sale became a loan receivable of the Company (note 7).

The Company recorded a total gain of $15,497,144 arising from the sale and revaluation of its remaining investment in Agusan for the year ended December 31, 2012. Agusan had net liabilities on sale of $9,421,719.

The Company also had the right to contingent consideration of $1,033,580 (AU $1,000,000) if the Company settled a dispute of $722,073 (AU $714,924) against the Company and Agusan. The Company settled the dispute for $321,988, thereby fulfilling the requirements under the agreement to receive the contingent consideration of $1,033,580 (AU $1,000,000), which was recorded as amounts and advances receivable as at December 31, 2012. The contingent consideration of $1,033,580 (AU $1,000,000) was recorded at inception for $nil, which represented management's best estimate of its fair value. Upon settlement during the year ended December 31, 2012, a fair value gain was recognized of $1,033,580 (AU $1,000,000). On March 14, 2013, the Company settled the AU $1,000,000 debt for AU $500,000 in cash and 5,592,381 Metallum common shares valued at $316,500 on the date of settlement, and reported a loss on settlement in profit or loss of $189,580 for the year ended December 31, 2013.

During the year ended December 31, 2012 (note 8), under the terms of the agreement, the Company exercised an option to purchase (i) 500,000 Metallum common shares at $0.20 per share for $105,020 (AU $100,000), and (ii) 2,000,000 options for $0.01 per option for $21,004 (AU $ 20,000), each such option to purchase a Metallum share for AU $0.20 until January 17, 2014.

Pursuant to a shareholders' agreement, Metallum has an obligation to fund AU $48,000,000 in exploration activity in Agusan as follows:

Exploration Expenditures	**Annual amount (AU $)**	**Cumulative amount (AU $)**
Year 1	5,000,000	nil
Year 2	5,000,000	nil
Year 3	5,000,000	15,000,000
Year 4	15,000,000	30,000,000
Year 5	18,000,000	48,000,000

The annual amounts in the table above are the expected schedule of expenditures; the cumulative amount is the funding requirement schedule. Should Metallum not meet the funding requirements, the agreement contains dilution provisions. Upon Metallum funding the project to AU $48,000,000, both the Company and Metallum will fund further development pro rata based on their ownership interests. Metallum reported AU $7.4 million in exploration expenditures to December 31, 2014, an AU $7.6 million shortfall of the minimum exploration amount of AU $15 million required by the end of the third year (January 17, 2015). The Company is in discussions with Metallum to establish a long-term strategy for the Agusan project.

(Expressed in Canadian dollars, unless otherwise stated)

7. INVESTMENT IN AND LOAN TO AGUSAN METALS CORPORATION

Pursuant to the January 17, 2012 sale of an 80% interest in Agusan (notes 6 and 13); the Company retained a 20% investment in Agusan. The investment is accounted for as an investment in an associate using the equity method. The 20% retained investment was revalued on the date of sale at $1,231,360. The carrying amounts for the years ended December 31, 2014 and 2013 are as follows:

		2014		**2013**
Investment amount	$	1,231,360	$	1,231,360
Pro rate share of increase in Agusan paid up capital		112,635		112,635
Share of net loss		(1,343,995)		(1,343,995)
Carrying amount		-		-
Loan to Agusan	$	-	$	1,470,112

The Company's equity loss of Agusan was greater than the Company's remaining investment in Agusan for the year ended December 31, 2013. Accordingly, the Company's share of net loss was allocated first to the investment in Agusan and second against the loan to Agusan. During the year ended December 31, 2014, the equity share of Agusan's net income (loss) was applied to the loan to Agusan to reduce the write-down of that loan recognized in 2013. The allocations of the Company's share of equity income (loss) of Agusan in the years ended December 31, 2014 and 2013 are as follows:

		2014		**2013**
Investment in Agusan	$	-	$	(1,310,820)
Loan to Agusan		124,962		(268,816)
	$	**124,962**	**$**	**(1,579,636)**

The Company's loan to Agusan is unsecured, non-interest-bearing and has no specified terms of repayment. Pursuant to a shareholders' agreement, the Company's loan to Agusan will rank equally with amounts advanced by Metallum for exploration expenditures on the Agusan copper-gold project. The advances will be repaid first from distribution of profits on a proportional basis until each advance is repaid.

(Expressed in Canadian dollars, unless otherwise stated)

7. INVESTMENT IN AND LOAN TO AGUSAN METALS CORPORATION (Continued)

During the year ended December 31, 2014, uncertainty around the collection schedule for the Agusan loan was created as a result of Metallum putting that project on care and maintenance. As a result, the carrying value of the loan to Agusan was impaired, in accordance with Level 3 of the fair value hierarchy, to $nil. In the year ended December 31, 2013, the carrying value was determined in accordance with Level 3 of the fair value hierarchy by discounting the expected repayments of the loan from their completion in the year ending December 31, 2022, at a discount rate of 25%. The carrying value of the loan to Agusan had the following changes in the years ended December 31, 2014 and 2013:

	2014	2013
Opening balance of loan to Agusan	$ 1,470,112	$ 10,307,538
Capital contributions	-	(112,635)
Impairment	(1,595,074)	(8,455,975)
Share of net loss	124,962	(268,816)
	$ -	**$ 1,470,112**

8. INVESTMENT IN METALLUM LIMITED

Pursuant to the January 17, 2012 sale of an interest in Agusan (note 6), the Company acquired 3,100,000 common shares of Metallum and 2,000,000 share purchase options. Each option is exercisable to acquire one Metallum common share for AU $0.20 until January 17, 2014. On March 14, 2013, the Company accepted 5,952,381 common shares of Metallum valued at $316,500 as partial settlement of a debt (note 6).

During the year ended December 31, 2014, the Company liquidated its investment in Metallum for proceeds of $233,834. The options expired unexercised on January 17, 2014. At December 31, 2013, the fair value of the Company's investment in Metallum was $171,923 consisting of the 9,052,381 common shares with a fair value of $171,923 and 2,000,000 options to purchase Metallum shares at $0.20 per share (derivative financial instruments) valued at $nil.

During the year ended December 31, 2014, the Company recognized a gain on sale of the investment in Metallum of $61,911 (2013 – recorded an other-than-temporary impairment charge of $2,024,435). The impairment charge in the year ended December 31, 2013 was due to a significant and sustained decline in the investment's traded market value.

(Expressed in Canadian dollars, unless otherwise stated)

9. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Vehicles and exploration equipment	Construction in progress	Office furniture and equipment	Total
Cost						
Balance, December 31, 2012	$ 182,548	$ 408,336	$ 2,431,918	$ 17,403	$ 61,389	$ 3,101,594
Additions	-	-	264,746	-	7,040	271,786
Balance, December 31, 2013	182,548	408,336	2,696,664	17,403	68,429	3,373,380
Disposals	-	-	(479,663)	-	(17,068)	(496,731)
Additions	-	-	280,011	-	737	280,748
Balance, December 31, 2014	$ 182,548	$ 408,336	$ 2,497,012	$ 17,403	$ 52,098	$ 3,157,397
Accumulated amortization and impairment losses						
Balance, December 31, 2012	$ -	$ 67,540	$ 464,608	$ -	$ 24,138	$ 556,286
Amortization	-	16,783	399,585	-	21,040	437,408
Balance, December 31, 2013	-	84,323	864,193	-	45,178	993,694
Amortization on disposals	-	-	(406,361)	-	-	(406,361)
Amortization	-	16,783	427,538	-	4,373	448,694
Balance, December 31, 2014	$ -	$ 101,106	$ 885,370	$ -	$ 49,551	$ 1,036,027
Net book value						
Balance, December 31, 2013	$ 182,548	$ 324,013	$ 1,832,471	$ 17,403	$ 23,251	$ 2,379,686
Balance, December 31, 2014	**$ 182,548**	**$ 307,230**	**$ 1,611,642**	**$ 17,403**	**$ 2,547**	**$ 2,121,370**

10. CONVERTIBLE NOTES

(a) On December 21, 2012, the Company issued a total of $2,400,000 of convertible debentures that matured on June 21, 2013 and had a coupon interest rate of 12%. Each Convertible Note was convertible to 5/8 of a common share of the Company. Effective October 1, 2013, the Company successfully negotiated the refinancing of the Convertible Notes.

(b) On January 16, 2013, the Company issued $2,060,700 of convertible debentures. Of the debentures, $927,500 were due July 14, 2013 and had a coupon interest rate of 12%. The remaining $1,133,200 were issued to related parties (note 13) who are an officer, a director, a company controlled by a director, or immediate family of a director; they matured on January 17, 2015 and had a coupon interest rate of 12%. When combined with the previous closing (note 10(a)), the Company accepted $4,460,700 in gross proceeds for the convertible notes. The convertible debentures are convertible into 1/8 of a common share of the Company at a price of $1.60 per share. Purchasers of the convertible debenture also received one detached warrant for each common share underlying the convertible debenture. Each warrant was exercisable into 1/8 of a common share of the Company until July 14, 2014, at a price of $1.60. Effective October 1, 2013, the Company successfully negotiated the refinancing of the Convertible Notes.

(Expressed in Canadian dollars, unless otherwise stated)

10. CONVERTIBLE NOTES (Continued)

(c) On November 12, 2013, the Company announced that it had successfully negotiated the refinancing of a total of $3,637,661 in principal and interest payable on maturity of convertible debentures that became due June 21, 2013 and July 14, 2013. Pursuant to the refinancing, which was effective October 1, 2013, the Company issued a total of 2,728,248 common shares and $2,546,362 of new convertible debentures. The new convertible debentures were convertible into common shares of the Company at a price of $0.64 per share until June 1, 2014 and had a coupon rate of interest of 12%. In connection with the refinancing, the Company also issued a total of 4,913,539 common share purchase warrants of the Company, each warrant exercisable into one common share of the Company at a price of $0.64 until June 1, 2015.

(d) Effective October 1, 2013, the Company successfully negotiated the refinancing of a total of $1,230,066 in principal and interest payable on outstanding convertible debentures. Pursuant to the refinancing, the Company issued a total of 922,553 common shares and $861,045 of new convertible debentures. The new convertible debentures are convertible into common shares of the Company at a price of $0.64 per share until June 1, 2014 and have a coupon rate of interest of 12%. In connection with the refinancing, the Company also issued a total of 1,364,516 common share purchase warrants of the Company, each warrant exercisable into one common share of the Company at a price of $0.64 until June 1, 2015. A loss on early retirement of debt was recognized in the amount of $372,242.

(e) The carrying values of the convertible notes at December 31, 2014 and 2013, were:

	December 31, 2014	December 31, 2013
Face value on issue	$ 3,407,407	$ 3,407,407
Accrued interest	538,956	102,978
Unamortized discount conversion	-	(449,075)
Unamortized discounts options	-	-
	$ 3,946,363	**$ 3,061,310**

11. CREDIT FACILITY

On May 2, 2013, the Company entered into an agreement with Mighty River of Singapore, a related party (note 13), being a company that had a director in common with Cadan during 2014, whereby Mighty River is providing the Company with a US $5 million loan facility. The facility may be drawn down in increments of US $1 million, with an initial draw of US $1 million having been made at the time of signing. Amounts drawn bear interest at a rate of 8% per annum and are repayable in 12 months from the draw date. The Company has six months to make further draws on the loan facility, with the availability of each future draw being subject to certain conditions being met.

Cadan provided the lender with security over all its assets. In connection with the loan agreement, Cadan, Mighty River and Cadan's Philippine affiliate, TMC, entered into royalty agreements pursuant to which Mighty River is entitled to receive a 1% production royalty on the T'Boli mine located in the Philippines for each US $1 million advanced to Cadan.

11. CREDIT FACILITY (Continued)

On May 27, 2014, the Company and Mighty River amended the agreement extending the Final Maturity Date and Repayment date to December 31, 2015.

At December 31, 2014, the Company had total principal, interest and royalties owing to Mighty River of $5,268,371 (US $4,541,307) (2013 - $3,281,614; US $3,085,384).

The Company has reached an agreement with Mighty River to refinance $906,000 (US $800,000) being a portion of the amounts owed on the Credit Facility for interest and royalties (note 20). Pursuant to the refinancing, and upon receiving TSX-V approval, the Company will issue 18,080,000 units at $0.05 each with each unit consisting of a common share and a warrant to purchase a common share for 12 months at $0.10.

12. SHARE CAPITAL

On December 1, 2014, the Company completed a consolidation of the issued and outstanding common shares in the capital of the Company on a 8 old for 1 new basis. All shares issued, and per share amounts in these financial statements, have been changed to reflect the share consolidation (note 1).

(a) Authorized

Unlimited common shares without par value

(b) Issued

At December 31, 2014, 19,811,182 (2013 - 18,213,248) common shares were issued and outstanding.

On August 14, 2014 the Company issued 1,098,063 common shares to retire outstanding debts of $439,226.

On February 11, 2014, the Company issued 500,000 shares for total proceeds of $200,000 pursuant to a private placement of shares offered at $0.40 per share.

Effective October 1, 2013, the Company refinanced a total of $1,230,066 in principal and interest payable on outstanding convertible debentures. Pursuant to the refinancing, the Company issued a total of 922,553 common shares on March 7, 2014. As the Company had an obligation to issue the common shares at December 31, 2013, they were recorded in shareholders' equity as of that date.

On December 3, 2013, the Company issued 2,728,248 common shares (note 10(c)) to settle a debt of $1,091,299.

(c) Stock options

The Company has a stock option plan whereby the Board of Directors is authorized to grant options to a rolling ceiling of 10% of the issued and outstanding common shares of the Company.

(Expressed in Canadian dollars, unless otherwise stated)

12. SHARE CAPITAL (Continued)

(c) Stock options (Continued)

Options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value on the date of the grant. The terms of the option and the option price are fixed by the directors at the time of grant subject to restrictions imposed by the TSX-V. Stock options awarded have a maximum term of ten years. The vesting terms of the options are determined by the directors; however, options granted to investor relations consultants are subject to a minimum twelve-month vesting schedule whereby no more than 25% vest in any three-month period. Stock options held by officers, directors, employees or consultants of the Company expire one year following their departure from the Company.

No options were granted in the years ended December 31, 2014 and 2013. During the year ended December 31, 2014, 284,375 options expired unexercised (2013 - nil). The fair value of the expired stock options of $625,187 (2013 - $nil) was written off against deficit. As at December 31, 2014 and 2013, the following incentive stock options were outstanding and exercisable:

Expiry Date	Exercise Price	**December 31, 2014**	**December 31, 2013**
15-Apr-14	$5.04	-	56,250
20-Jul-14	$4.00	-	98,750
30-Sep-14	$4.00	-	16,875
01-Mar-15	$7.60	18,750	18,750
17-Aug-15	$4.00	6,250	6,250
12-Jul-16	$4.00	3,500	3,500
21-Sep-16	$3.60	68,750	93,750
06-Dec-16	$1.60	273,750	273,750
24-Jul-17	$4.00	23,738	23,738
06-Nov-17	$4.00	133,000	133,000
25-Oct-17	$1.20	475,000	562,500
		1,002,738	1,287,113

The options outstanding and exercisable at December 31, 2014 and 2013 have a weighted average remaining contractual life of 2.43 years and 3.05 years, respectively.

(Expressed in Canadian dollars, unless otherwise stated)

12. SHARE CAPITAL (Continued)

(c) Stock options (Continued)

Stock option activity is as follows:

	December 31, 2014		December 31, 2013	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, beginning of year	1,287,113	$2.32	1,287,113	$2.32
Expired	(284,375)	2.62	-	-
Outstanding and exercisable, end of year	1,002,738	$2.06	1,287,113	$2.32

Share-based payments

The Company did not grant any stock options, nor have any share-based payments during the years ended December 31, 2014 and 2013.

(d) Warrants

As at December 31, 2014 and 2013, the following share purchase warrants were outstanding:

Expiry Date	Exercise Price		December 31, 2014	December 31, 2013
July 16, 2014	$ 2.00		-	1,194,854
September 14, 2014	$ 1.60		-	491,250
October 31, 2014	$ 1.60		-	263,708
November 7, 2014	$ 1.60		-	1,287,500
December 7, 2014	$ 1.60		-	770,167
December 14, 2014	$ 2.16		-	328,125
June 1, 2015	$ 0.64		6,278,054	6,278,054
September 15, 2015	$ 10.00	(2)	259,981	259,981
October 18, 2015	$ 10.00	(2)	372,524	372,524
December 8, 2015	$ 8.80	(1)	1,375,000	1,375,000
			8,285,559	12,621,163

(1) On April 10, 2012, the Company extended the expiry date of 1,375,000 warrants from December 8, 2012, to December 8, 2015.

(2) The warrants were exercisable at $8.00 for the first two years and $10.00 for the remaining three years.

(Expressed in Canadian dollars, unless otherwise stated)

12. SHARE CAPITAL (Continued)

(d) Warrants (Continued)

Share purchase warrant transactions and the number of share purchase warrants outstanding are summarized as follows:

	December 31, 2014		December 31, 2013	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	12,621,163	$2.40	8,695,584	$3.12
Issued	-	-	6,278,055	$1.60
Expired	(4,335,604)	$1.75	(852,476)	$5.28
Cancelled	-	-	(1,500,000)	$1.60
Outstanding, end of year	8,285,559	$2.71	12,621,163	$2.40

The fair value of expired warrants was $469,200 (2013 - $550,003).

13. RELATED PARTY TRANSACTIONS AND BALANCES

At December 31, 2014, the Company owed $6,650,435 (2013 - $5,394,798) to related parties, of which amounts to “officers and directors for” are included in accounts payable, as follows:

	December 31, 2014	December 31, 2013
Officers and directors for:		
Consulting and directors fees	$ 370,752	$ 1,247,357
Reimburse expenses	14,075	2,240
Termination fees	-	90,000
Convertible notes (note 10)	997,237	773,587
Advance against credit facility (note 11)	5,268,371	3,281,614
	$ 6,650,435	$ 5,394,798

During the years ended December 31, 2014 and 2013, the Company incurred key management compensation as follows:

	December 31, 2014	December 31, 2013
Short-term benefits	$ 569,096	$ 1,562,432
Termination fees	495,000	90,000
	$ 1,064,096	$ 1,652,432

Included in short-term benefits was $569,096 (2013 - $1,040,210) expensed to consulting fees, and $nil (2013 - $522,222) expensed as exploration and evaluation expenses.

(Expressed in Canadian dollars, unless otherwise stated)

13. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

At December 31, 2014, the Company was committed to pay termination payments to officers of the Company, in the event of termination without cause between two and three years of annual salary. If all termination payments are triggered the Company would be required to pay $1,020,000 (2013 - $642,000).

14. CONTINGENT LIABILITY

Three former officers and directors of the Company agreed to resign during the year ended December 31, 2014, and the Company agreed to pay them in total a one-time fee of $585,000 in lieu of any termination payment obligations of the Company under their consulting contracts, with such fees to be paid once certain conditions are met. During the year ended December 31, 2014, the three former officers and directors agreed to convert the $585,000 ($90,000 paid, $495,000 accrued) owed to shares of the Company at $0.40 per share ($0.05 per share pre rollback) for a total of 1,462,500 (11,700,000 pre rollback) shares. The Company issued 374,250 (2,994,000 pre rollback) shares and is required to have shareholder approval to issue the remaining 1,088,250 (8,706,000 per rollback) shares. The Company will request shareholder approval at the next Meeting of Shareholders.

15. RETIREMENT BENEFIT OBLIGATION

The Company has a legislated obligation to provide a retirement payment to employees in the Philippines equal to 22.5 days pay for every year of credited service at attainment of a retirement age of 60. The Company completes an actuarial valuation of the present value of the obligation annually. The last actuarial valuation of the present value of the obligation was carried out at March 31, 2015 based on obligations at December 31, 2014. The present value of the obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. The current and past service costs for year ended December 31, 2014 totaled $82,362 (2013 - $48,292), are included as part of the exploration and evaluation expenses. The principal assumptions used for the purposes of the actuarial valuation were as follows:

	December 31, 2014	December 31, 2013
Discount rate	4.89	5.64%
Expected rate of salary increase	5%	5%
Normal retirement age	60	60
Projected retirement benefit	22.5 days per year of service	22.5 days per year of service
Actuarial cost method	projected Unit Credit Method	projected Unit Credit Method
Manner of benefit payment	Lump sum	Lump sum

16. LOAN PAYABLE

On December 3, 2012, the Company entered into a loan agreement with Philtia Resources Pty Ltd. for $280,000. The loan bears interest of 8% per annum, and was payable at maturity, which was three months after the loan was granted. As at December 31, 2014 the loan remains in default and continues to accrue interest. The interest and principal of the loan totaled $325,360 as at December 31, 2014 (2013 - $313,594).

(Expressed in Canadian dollars, unless otherwise stated)

17. CAPITAL MANAGEMENT

In October 2012, the Company's Philippines affiliate, TMC, received the MGB Declaration of Mining Project Feasibility enabling the Company to commence commercial mining production at the T'Boli gold-silver mine and the Carbon-in-leach (“CIL”) plant. The Company has begun processing "incidental ore", which it stockpiled during exploration. Since receiving the MGB’s approval and commencing production to December 31, 2014, the CIL plant has generated approximately $3.7 million (2013 - $3.4 million) from metal sales. The CIL processing plant and the mine will require additional capital expenditure to meet design capacity.

The Company is continuing exploration of its properties (note 5), but is not generating sufficient cash flow from operations to cover its operating costs or fund exploration and continues to rely on debt and issuance of shares to generate capital. The Company considers capital to consist of shareholders’ equity, loans due to related parties and convertible debt.

The Company’s objectives of capital management are intended to safeguard its ability to meet normal operating requirements on an ongoing basis and continue the development and exploration of its resource properties. To effectively manage the Company’s capital requirements, the Company has in place a planning process to determine the funds required to ensure appropriate liquidity to meet its operating and growth objectives. The Company monitors actual expenses on all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company’s policy for managing capital has not changed from prior years.

18. INCOME TAX

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26.00% (2013 - 25.75%) to loss before taxes. The reasons for the differences are as follows:

	2014	2013
Loss for the year before tax	$(7,914,704)	$(22,900,188)
Statutory income tax rate	26.00%	25.75%
Income tax recovery computed at statutory rates	(2,057,823)	(5,896,799)
Tax effect of expenses that are not deductible (taxable) for income tax purposes	31,647	12,973
Change in timing differences	765,696	2,862,889
Increase in future income taxes resulting from enacted tax rates	6,070	489,127
Change in benefit of tax losses not recognized	719,107	2,531,810
Income tax expense	$ (535,303)	$ -

Effective April 1, 2013, the British Columbia corporate tax rate increased from 10.00% to 11.00% while the federal rate remained unchanged at 15.00%. The overall increase in tax rates resulted in an increase in the Company's statutory tax rate from 25.00% to 25.75% for the year ended December 31, 2013. For the year ended December 31, 2014, the Company’s statutory tax rate has remained at 26.00% for the entire year. Income tax rates in the Philippines remained at 30.0% (2013 - 30.0%).

(Expressed in Canadian dollars, unless otherwise stated)

18. INCOME TAX (Continued)

The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at December 31, 2014 and 2013 are presented below:

	2014	**2013**
Deferred income tax assets		
Non-capital losses carried forward	$ 766,790	$ 158,784
Deferred income tax liabilities		
Foreign exchange on intercompany loans	(989,444)	(158,784)
Total	$ (222,654)	$ -

The Company recognizes tax benefits on losses or other deductible amounts generated in countries where the probable criteria for the recognition of deferred tax assets have been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2014	**2013**
Deferred income tax assets:		
Non-capital losses carried forward	$26,799,408	$23,228,544
Share issue costs	123,538	429,073
Resource properties	1,029,477	-
Available for sale securities	-	1,012,219
Long-term investments	671,996	671,996
Provisions and other	42,173	46,339
Total	$ 28,666,592	$ 25,388,171

The Company has accumulated non-capital losses for tax purposes of $27,878,220 that expire in various years as follows:

	Philippines	Canada	Total
2015	$ 5,745	$ -	$ 5,745
2016	1,632,821	-	1,632,821
2017	695,453	-	695,453
2027	-	545,447	545,447
2028	-	628,784	628,784
2029	-	820,431	820,431
2030	-	2,008,087	2,008,087
2031	-	2,666,965	2,666,965
2032	-	5,459,912	5,459,912
2033	-	10,184,205	10,184,205
2034	-	3,230,370	3,230,370
	$ 2,334,019	$ 25,544,201	$ 27,878,220

(Expressed in Canadian dollars, unless otherwise stated)

19. SEGMENTED INFORMATION

The Company has one operating segment: resource property exploration. The Company's corporate assets are located in Canada. The Company has investments in corporations located in the Philippines and Australia, and natural resource exploration activities have occurred in Colombia in past years.

December 31, 2014		Canada		Philippines		Consolidated
Current assets	$	53,533	$	746,008	$	799,541
Exploration and evaluation assets		-		1,094,881		1,094,881
Loan to Agusan		-		-		-
Property, plant and equipment		-		2,121,370		2,121,370
Total Assets	$	53,533	$	3,962,259	$	4,015,792
Total Liabilities	$	12,138,249	$	3,737,083	$	15,875,332

December 31, 2013		Canada		Philippines		Consolidated
Current assets	$	80,487	$	326,023	$	406,510
Exploration and evaluation assets		-		2,070,539		2,070,539
Loan to Agusan		1,470,112		-		1,470,112
Investments held for resale		171,923		-		171,923
Property, plant and equipment		6,336		2,373,350		2,379,686
Total Assets	$	1,728,858	$	4,769,912	$	6,498,770
Total Liabilities	$	8,733,882	$	2,502,898	$	11,236,780

20. EVENTS AFTER THE REPORTING DATE

On June 1, 2015, 6,278,054 warrants with an exercise price of $0.64 expired unexercised.

Between January 1, 2015 and August 25, 2015, the Company has drawn down an additional $57,712 (US $46,266) on the Mighty River credit facility (note 11), bringing the principal balance outstanding on that facility to $5,167,612 (US $4,142,706). Total indebtedness to Mighty River, consisting of principal, interest and royalties was $5,926,808 (US $4,751,329).

On July 8, 2015, the Company closed the first tranche of a non-brokered private placement of units at a price of $0.05 per unit. Each unit consists of one common share of the Company and one common share purchase warrant, with each warrant exercisable into one common share of the Company for a period of one year from closing at an exercise price of $0.10. The Company issued 15,325,020 units for gross proceeds of $766,251.

On July 20, 2015, the Company closed the second tranche of a non-brokered private placement of units at a price of $0.05 per unit. Each unit consists of one common share of the Company and one common share purchase warrant, with each warrant exercisable into one common share of the Company for a period of one year from closing at an exercise price of $0.10. The Company issued 13,200,000 units for gross proceeds of $660,000, paid a finder's fee of 1,267,000 units in connection with the placement and issued 24,796,200 units to existing creditors who have agreed to convert $1,239,810 into units. The Company will issue the units once the issuance has been approved by the Exchange.

20. EVENTS AFTER THE REPORTING DATE (Continued)

In addition to the tranches closed above, the Company reached an agreement on a non-brokered private placement of units at a price of $0.05 per unit. Each unit consists of one common share of the Company and one common share purchase warrant, with each warrant exercisable into one common share of the Company for a period of one year from closing at an exercise price of $0.10. The Company will issue 43,920,000 units for gross proceeds of $2,196,000, and issued 23,995,560 units to existing creditors who have agreed to convert $1,199,778 into units. The Company will issue the units once the issuance has been approved by the Exchange.

The Company also reached agreement with existing convertible note holders and renewed $2,623,658 of existing convertible notes; 809,506 notes which have an effective date of December 1, 2014 with a $0.12 conversion price with 6,745,884 warrants also at $0.12 per warrant. The notes expire December 1, 2015 and the warrants expire December 1, 2016; and 1,814,152 notes will have an effective date of July 1, 2015 with a $0.10 conversion price with 18,141,520 warrants also at $0.10 per warrant. The notes expire December 1, 2016 and the warrants expire July 1, 2017.